

Ask Me Anything! State Revolving Fund (SRF) Technical Assistance & Open Office Hours. Equivalency? Please Explain. 10.20.2025

Quick recap

Ashley conducted a training session on State Revolving Fund equivalency requirements, explaining the funding structure and federal requirements for drinking water and clean water programs. She detailed the rules and requirements for equivalency projects, including the application of federal cross-cutters. The session covered various challenges faced by small communities in complying with federal requirements, including environmental reviews and audits, while also discussing the Bipartisan Infrastructure Law's Build America, Buy America Act requirements.

Summary

SRF Equivalency Training Overview

Ashley led a training session on State Revolving Fund (SRF) equivalency, explaining that SRFs are low-interest loan programs that provide subsidies to targeted communities and projects. She detailed the funding sources, including federal and state governments, loan repayments, and bond proceeds. Ashley emphasized that while SRFs are sustainable due to significant repayments, the shrinking capitalization grants based on federal funding may impact future program operations. She encouraged participants to ask questions, noting that every state's program is unique and depends on specific circumstances.

Federal Equivalency in SRFs

Ashley explained that equivalency in the context of drinking water and clean water programs refers to the application of federal requirements to specific projects that receive federal funding. She clarified that only projects identified by the state as requiring federal cross-cutters must comply with these requirements, and borrowers may not need to be aware of equivalency if they are not chosen to be an equivalency project.

SRF Equivalency and Subsidy Rules

Ashley explained the rules for equivalency requirements in SRF programs, noting that projects under the same loan agreement must meet all federal cross-cutters. She highlighted an example where out of \$10 million in available funds during a given year, \$2

million was from the CWSRF federal capitalization grant, so only \$2 million in projects/loan agreements need to meet equivalency requirements. On the DWSRF side, set-asides reduce available funds for construction projects, therefore reduce the value of projects that need to meet equivalency requirements.

Grants vs. Principal Forgiveness Explained

Ashley explained the differences between grants and principal forgiveness loans, noting that while grants are given upfront, principal forgiveness requires borrowers to borrow the full amount and meet specific requirements at the end. But those grants come with additional requirements, and it is recommended that they be reported to FFATA. She discussed the equivalency project requirements for DWSRF certain set-aside activities, which must be reported to the FFATA database. Ashley shared her experience of overreporting equivalency projects and emphasized that states should only report up to the federal capitalization grant amount. She also highlighted the importance of consistent documentation and applying equivalency to more projects than the federal grant to avoid compliance issues.

Federal Equivalency Cross Cutters

Ashley discussed the importance of Qualifications-Based Selection (QBS) for engineering firms in the context of CWSRF projects. She emphasized that QBS must be completed early in the project process to qualify for equivalency and potentially receive additional subsidy benefits.

Ashley explained the differences in environmental review requirements between the Clean Water State Revolving Fund (CWSRF) and the Drinking Water State Revolving Fund (DWSRF), noting that only treatment works projects under CWSRF require environmental review, while all funded projects under DWSRF must have one. She highlighted the importance of environmental review in capturing a wide range of federal funding cross cutter requirements, mentioning that most equivalency requirements are addressed through this process, with socioeconomic factors being the main exceptions.

Ashley also discussed the federal Disadvantaged Business Enterprise (DBE) program, clarifying that it encompasses both minority-owned and women-owned businesses, and mentioned that some states, like Rhode Island, have their own DBE certification processes.

Ashley discussed the challenges small communities face when complying with certain federal equivalency requirements like single audits, particularly due to the increased financial burden and the discovery of policy deficiencies. She suggested that states could

be more selective in applying these requirements, especially for small projects, and advised borrowers on strategies to manage audit triggers by splitting work over fiscal years.

Ashley also highlighted the importance of the Build America, Buy America Act as a federal cross-cutter, emphasizing the need for states to be judicious in its application. Ashley provided an overview of the Bipartisan Infrastructure Law's requirements for "Build America, Buy America" (BABA), which applies to all federal infrastructure projects and is broader than the existing American Iron and Steel (AIS) requirement. She explained that BABA covers all items consumed in projects, including machinery and items with moving parts.

She shared upcoming training sessions and encouraged feedback through a survey to improve future sessions.

Disclaimer: this summary was generated using AI but was reviewed and edited by a Human.